

ENGLISH ESTATES & FARMLAND MARKET REVIEW

Winter 2021/2022

UNDER OFFER:
Wilverley Estate, Hampshire.
Guide: £8,650,000

MARKET OVERVIEW

More supply needed in competitive farmland market

The farmland market in England in 2021 was small, but competitive. It was a year where we saw a wide range of buyers showing an appetite for almost all types of farms in all locations. This led to a 1% rise in average arable and pasture prices, compared to 2020 levels, with an increase in the number of farms and estates selling at or for more than their guide price. Taking the year as a whole, the average value of arable land was £9,400/acre.

Low levels of supply continue to be a key feature of the marketplace. Analysis of our Farmland Database shows that the volume of land launched to the open market in 2021 was one of the lowest on record at 55,000 acres. For anyone looking for a farm over 1,000 acres, the choice has been extremely limited, with only six farms of that scale available last year. Although a growing number of vendors did choose to sell privately in 2021, the rise in off-market transactions will only have partially offset the fall in public sales.

Demand, however, remained strong with a growing range of buyers in evidence. This includes farmers, private investors and lifestyle buyers. 2021 saw rising numbers of lifestyle buyers seeking to purchase a slice of the countryside, leading to good results for any

vendors of residential farms, which were in particularly short supply. For example, one 100-acre Cotswold farm recently on the market with Strutt & Parker for over £3m attracted over 30 viewings and quickly sold in excess of its guide price. Our figures also show that 90% of small (priced at up to £1.5m) farms which were marketed have been sold – a higher proportion than for some time.

Meanwhile, companies and individuals wanting to buy land for tree planting, rewilding and other conservation and carbon-offset projects were also increasingly visible in the marketplace. We noted early last year that we were getting lots of enquiries from environmental buyers. This is now translating into purchases, with green investors active in both lowland and upland England where there are examples of them having outbid other buyer groups.



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MARKET AT A GLANCE

Supply



The volume of farmland publicly marketed in 2021 was the second lowest on record at 55,000 acres.



Only 192 farms were publicly marketed – the second lowest number in the past 20 years.



There were fewer arable, mixed, residential and dairy farms available than usual, but more estates and livestock farms.

Demand



There are strong signs that demand remains firm for farms and estates.



The proportion of farms marketed that have either exchanged or are under offer is at its highest level for the past five years.



67% of farms marketed sold at or for more than their guide price – the highest level since 2014, which was a peak in the market.

Pricing



The average price of arable land in 2021 rose slightly to £9,400/acre – 2% above the five-year average.



55% of arable land sold in 2021 made £8,000-10,000/acre, with a falling proportion selling for £12,000/acre or more.



The average price of pasture land sold in 2021 also rose slightly to £7,400/acre.

MARKET OUTLOOK

Looking ahead, it feels like in the short term the market will remain unchanged. It seems unlikely there will be any slowing of demand. When our agents returned after the New Year break, the phones were immediately busy with potential buyers wanting to know what farms and estates we might have available in the coming weeks and months. Land is an asset which is in demand for a wide range of reasons – with a growing list of non-farmer buyers keen to buy for tax, capital growth, amenity, lifestyle and environmental reasons. We are also not expecting the availability of farmland to increase significantly in 2022. There is no evidence at present that the policy changes currently being implemented are prompting farmers to sell. Although farmers will have received a smaller payment through the Basic Payments Scheme (BPS) at the end of 2021 and are also facing significant rises in input costs,

this is being offset by higher commodity prices. With supply tight and demand firm, we therefore expect average prices to nudge upwards, as buyers continue to compete for the small pool of farms and estates on offer. The big question, of course, is the impact on the market as BPS reductions get deeper, putting a further squeeze on farm profitability. Looking forward, it is possible that the second half of 2023 could be the time when the financial pressures start to be felt more keenly by farmers, prompting more land to come to the market. By that point smaller farms will be facing a 35% cut to their Basic Payments, with larger farms only getting half the direct support they received in 2020.

If you would like to discuss any aspect of this report, or for advice on selling or buying farmland in your region, please do get in touch.

SUPPLY

Amount of farmland marketed

Just 55,000 acres were publicly marketed in 2021. This is only 1% less than during 2020, but these years are two of the lowest amounts marketed in our records and we think in history, and are 25% below the five-year average and 30% below the ten-year average.

The year started well, with supply at five-year average levels in the first and second quarters of 2021, and well above 2020 levels, but it dropped significantly in the second half of the year, with only 15,900 acres marketed compared with around 30,000 in most recent years. There is no obvious explanation for this drop, other than sellers perhaps being keen to launch in the Spring when the market is traditionally most active.

Supply fell in most regions, apart from the North West (+99%) where three large farms of over 1,000 acres each were marketed, and was more than 40% below the five-year average in the East of England, North East and West Midlands. Supply dropped much more in southern England (-32%) than in the north (-13%), which is the opposite of what happened in 2020.

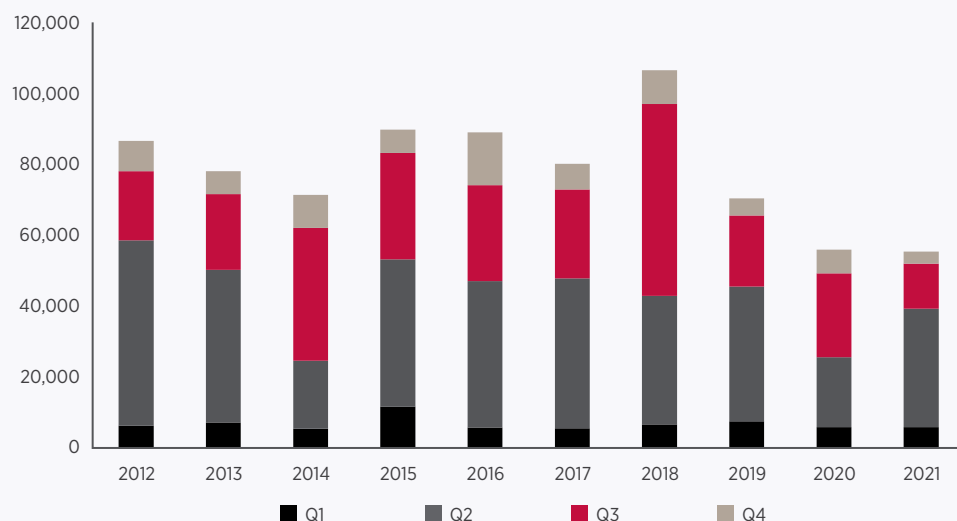
Private sales are not included in this data because of the difficulty of collecting comprehensive information. In most regions, private sales have been a growing trend, but the rise in off-market transactions has only partially offset the fall in public sales, so overall supply has been tight.

Figure 1 Amount of farmland publicly marketed in England (acres)

NB Figures are for whole years unless otherwise stated and are rounded to the nearest 100 acres. Privately marketed farmland has been excluded due to the difficulty of collecting comprehensive information.

	East Mids	East of England	North East	North West	South East	South West	West Mids	Yorks & Humber	England
2017	11,800	12,700	2,500	5,900	10,400	13,300	11,600	11,300	79,500
2018	14,000	30,200	8,100	3,300	11,500	18,800	11,100	8,800	105,700
2019	7,900	8,600	7,200	4,800	8,000	17,500	7,200	8,600	69,800
2020	6,800	11,300	3,600	4,000	7,300	15,400	4,700	2,500	55,600
2021	6,700	8,000	2,600	11,900	8,800	9,100	2,600	5,200	55,000
Five-year ave	9,440	14,160	4,800	5,980	9,200	14,820	7,440	7,280	73,120
% diff from ave	-29%	-44%	-46%	99%	-4%	-39%	-65%	-29%	-25%

Figure 2 Amount of farmland publicly marketed in England (acres) by quarter



Number of farms marketed

Only 192 farms were publicly marketed during 2021 – the second lowest number in the past 20 years. If we look back to the mid-2000s, over 300 farms were regularly marketed each year, so there has been a significant contraction of the market. Supply was below the five-year average in all but two regions (the North West and South East)

and over 20% below the average in three regions (the East of England, South West and the West Midlands). This contraction makes finding the right farm for a buyer more difficult, and we are increasingly being asked to proactively find the right farm in the right place – including those not currently for sale – for buyers.

Figure 3 Number of farms marketed

NB Figures are for whole years unless otherwise stated. Privately marketed farmland has been excluded due to the difficulty of collecting comprehensive information.

	East Midlands	East of England	North East	North West	South East	South West	West Midlands	Yorkshire & Humber	England
2017	31	37	10	20	40	40	29	25	232
2018	34	40	17	14	41	57	30	24	257
2019	23	29	13	15	30	58	34	28	230
2020	23	37	12	19	26	47	28	9	201
2021	25	26	12	22	36	39	13	19	192

Types of farm

Although there were slightly more estates and livestock farms for sale in 2021, the numbers of arable, mixed, residential and dairy farms were well below their five-year averages.

Figure 4 Main type of farms marketed

NB Figures are for whole years unless otherwise stated. Privately marketed farmland has been excluded due to the difficulty of collecting comprehensive information.

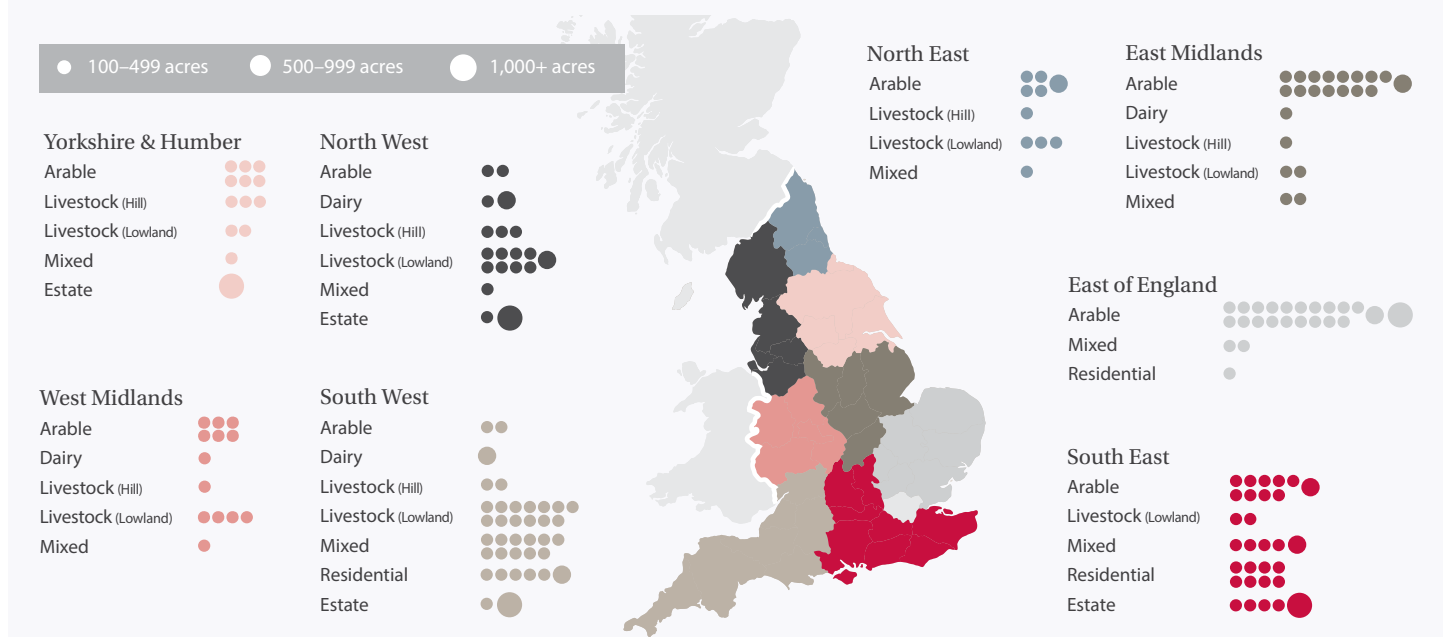
	Arable	Estate	Livestock (Hill)	Livestock (Lowland)	Mixed	Residential	Dairy
2017	92	10	5	22	45	33	9
2018	91	12	16	23	42	43	15
2019	95	9	12	28	41	24	8
2020	76	7	7	31	34	19	16
2021	68	10	11	35	24	15	5

Size of farm

As is usual, the majority of farms for sale were less than 500 acres. A recent trend of fewer farms over 500 acres for sale has continued, with only 17 publicly marketed in 2021, compared with the five-year average of 30. For buyers looking for very large areas of land (over 1,000 acres), there was not much choice on the open market with only six for sale, and most being in northern England.

Figure 5 Number of farms marketed by region, farm type and farm size

NB This figure only shows the main farm types, not minor ones like horticulture and equestrian, and so the total number of farms marketed does not equal the total in figure 3.



DEMAND

Farms sold

As we reported last year, there are strong signs that demand remains firm.

The proportion of farms marketed in 2021 that have either exchanged or are under offer is at its highest level for the past five years. There are motivated buyers in the marketplace, although the rise in the proportion of farms exchanged or under offer will also partially reflect the drop in supply. With fewer farms available, but demand relatively robust, it is inevitable that a bigger proportion will have sold.

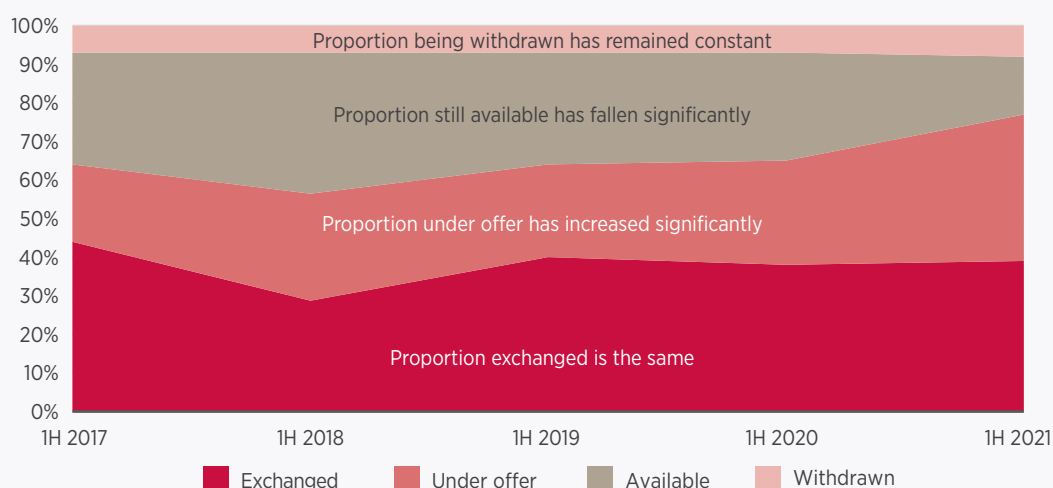
The overall strength in demand is also reflected in the continued rise in the number of farms that sold at or for more than their guide price, which was 67% of farms in 2021. This is the highest level since 2014, which was a peak in the market, and is well above the five- and ten-year averages. And this above average strength in demand is

throughout England – in the north as well as the traditionally strong south. Of course, buyers have different requirements in different regions, which has an impact on demand and ultimately price. For example, since the end of the first Covid-19 lockdown, the housing market has been the busiest it has been for more than a decade, fuelling interest in residential farms located in counties within two or three hours of London. Buyers looking for scale are likely to be more focused in the East of England, than the west of the country.

As in 2020, demand was strong for all farms, although hill farms have been less likely to sell than the other types of farm. Demand is strongest for the largest farms, with only one that was marketed in the first half of 2021 unsold. There is also evidence of strong demand for farms/smallholdings in the £750,000- £1.5m price bracket, with only 10% of them unsold.

Figure 6 Speed of land transactions – % of farms sold (exchanged)

N.B. Data shows the sale status by number of sales, not acres. Data captures the sales status on 31 December of land marketed during the first six months of that year, so that the land has had time to sell. Privately marketed farmland has been excluded due to the difficulty of collecting comprehensive information.



Type of buyers

There was a shift in the percentage of farms bought by different buyer types during 2021, although it is too early to say whether this is a trend. Given the small number of farms sold during the year, one or two sales can change the balance between buyer groups.

In 2021, farmers bought 60% of the farms that had exchanged, which is up from around 54% in 2018-2020. It is interesting to note that almost all of these sales are funded using capital generated from outside of agriculture (such as rollover money from development, inheritance or income from diversification), rather than relying on revenues generated exclusively from agricultural production.

Demand from both lifestyle buyers and private investors dropped, falling to a third of sales compared with 40% in 2020, despite growing interest in buying land for generating carbon credits and rewilding. Demand from non-farmers remains strongest in southern

England, the South West, and up into the West Midlands, and they continue to focus on residential farms and estates.

There was also an increase in demand from institutional buyers in 2021, with demand rising from 4% of sales to 7% in 2021, but this remains a small number of purchases.

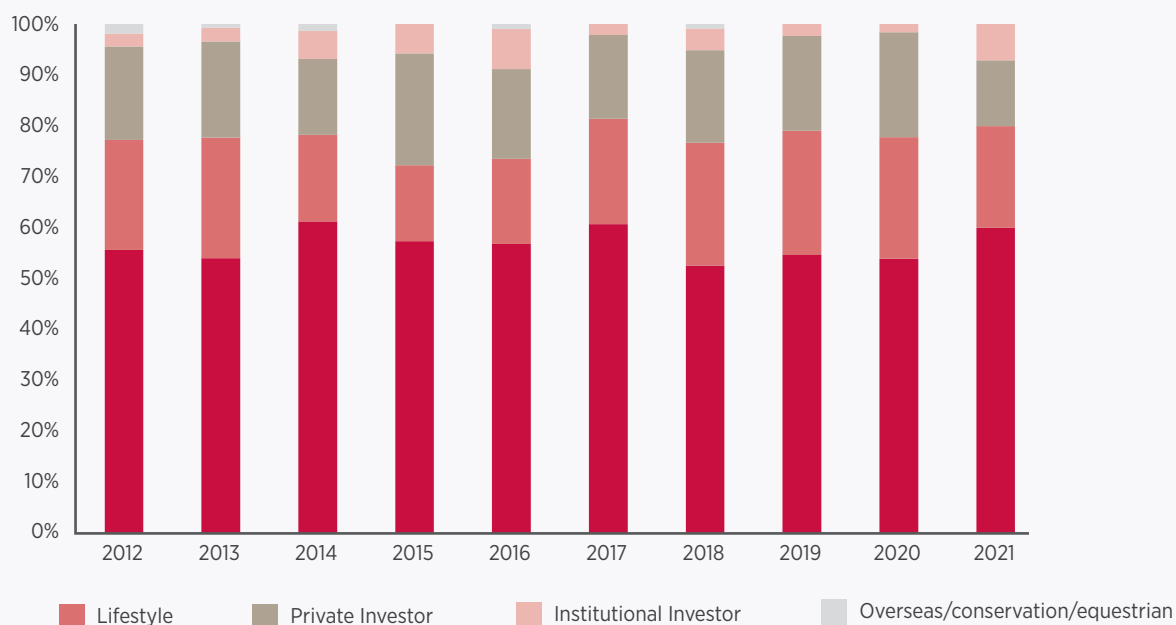
As we said at the end of 2020, it is hard to predict how demand will change during the next few years. The cut in Basic Payments may make farmland less attractive to investors as the guaranteed income associated with farmland will be removed over the seven-year agricultural transition period. However, the growth in other markets such as carbon credits and ecosystem services will appeal to buyers who are not as focussed on agricultural production as traditional farmers or who have residual carbon emissions that they need or want to offset.

One of the strongest trends we have seen in 2021 is demand for land suitable for environmental projects increasing. The Forest Market Report, published in November 2021 by Strutt & Parker's forestry arm John Clegg & Co and Tilhill, estimated £53m worth of land suitable

for afforestation was traded across England, Scotland and Wales during 2021. However, we are also seeing environmental investors wanting lowland land for rewilding and other conservation projects.

Figure 7 Buyer type

N.B. Data is by number of sales, not acres. The year is when the farmland was sold (exchanged) and is for whole years unless otherwise stated.



PRICING

Average sale prices

The average price paid for arable land in 2021 increased slightly to £9,400/acre, which is 1% above the average in 2020 and 2% above the average over the past five years. There was only a small number of transactions in Q4, which means publishing a Q4 average value has the potential to be misleading, but it is worth noting that in the final three months of the year there were eight transactions where the price achieved for arable land averaged more than £10,000/acre.

The average price paid for pasture land also rose slightly, up 1% to £7,400/acre, which is 0.5% above the five-year average. However, as we usually state, the quality and use of pasture land is highly variable – from very highly priced parkland around mansions and estates to the poorest hill land – so care should be taken in interpreting average prices. We continue to think that sale price bands show a more complete picture of how pricing is changing.

Figure 8 Average sale price of arable and pasture farmland (£/acre)

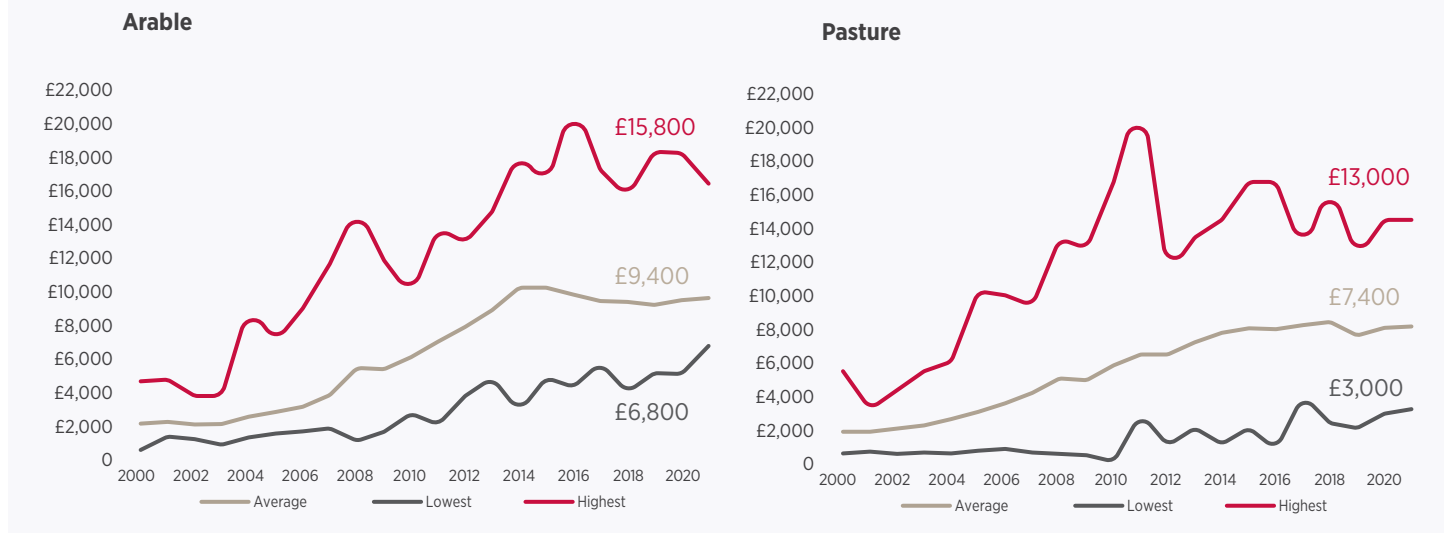
N.B. Data is based on sold (exchanged) prices for vacant arable and pasture land only (i.e., it excludes the value of houses or buildings). The year is when the farmland was sold (exchanged).

	Arable	% change during year	Pasture	% change during year
2012	7,800		5,900	
2013	8,800	12%	6,500	11%
2014	10,000	14%	7,000	8%
2015	10,000	0%	7,300	3%
2016	9,600	-4%	7,200	-1%
2017	9,200	-4%	7,400	3%
2018	9,200	0%	7,600	2%
2019	9,000	-2%	6,900	-10%
2020	9,300	3%	7,300	6%
2021	9,400	1%	7,400	1%

Average, lowest and highest sale prices

Figure 9 & 10 Average, lowest and highest sale prices of arable and pasture farmland (£/acre)

N.B. The year is when the farmland was sold (exchanged) and is for whole years unless otherwise stated. Although we have stripped out the value of buildings and houses, the data can still be affected by differences in the quality and location of the land sold. Therefore, they should only be used as a broad indicator of changes in prices. Given the significant regional variation in prices and range of prices within regions, we recommend using the prices for farmland by region, which are on the following page.



Sale price bands

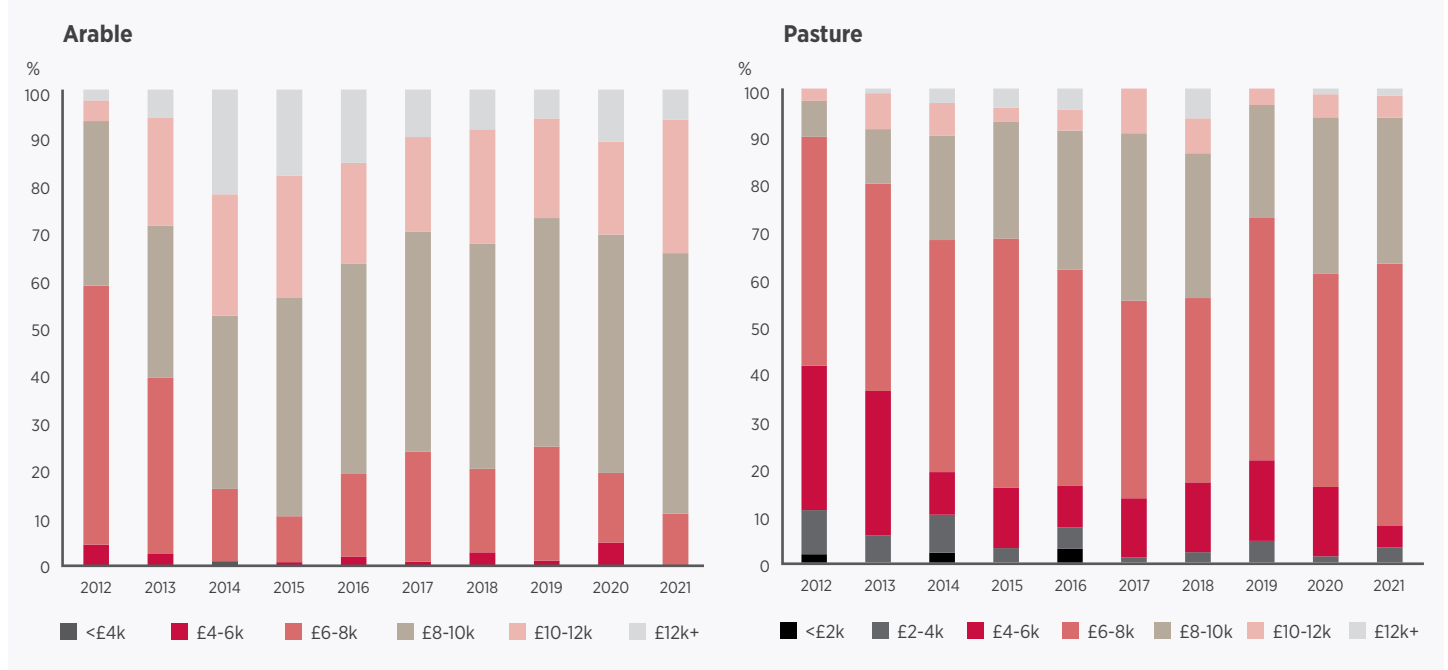
The compression of arable farmland prices that we have been reporting on for the last few years has continued, with less selling at both above £12,000/acre and below £8,000/acre.

Just under 60% of arable land sold in 2021 sold for £8,000-10,000/acre, well above the five-year average. Only 6% sold for £12,000/acre or more, which is below the five-year average. And only 11% sold

for less than £8,000/acre, well below the five-year average of 20%. For pasture land, there is a similar pattern – with less sold above £10,000/acre and below £6,000/acre. Over half of the pasture land sold in 2021 was for £6,000-8,000/acre. The large range in prices paid is illustrated in Figure 11, with prices ranging from £3,000 to £13,000/acre.

Figure 11 & 12 Agreed sale price of arable and pasture farmland, by price band (£/acre)

N.B. Data is based on sold (exchanged) prices for vacant arable and pasture land only (i.e., it excludes the value of houses or buildings). The year is when the farmland was sold (exchanged).



Prices around the regions

Figure 13 Estimates of bottom 25% and top 25% prices for arable and pasture farmland by region

The prices are based on the opinions of our regional agents, as it is not possible to calculate reliable regional values based on the small number of sales in each region. Prices are for vacant arable and pasture land only (i.e. it excludes the value of houses or buildings). Bottom 25% means if 100 farms were valued, the price of the 25th farm from the bottom. Percentage annual change is the change from the same quarter in the previous year.

South East

	Arable	Pasture
Bottom 25%	£7,500	£5,800
(change)	(1%)	(-2%)
Top 25%	£11,600	£8,750
(change)	(5%)	(1%)

South West

	Arable	Pasture
Bottom 25%	£7,800	£6,000
(change)	(-3%)	(0%)
Top 25%	£11,000	£9,000
(change)	(0%)	(0%)

East of England

	Arable	Pasture
Bottom 25%	£7,500	N/A
(change)	(3%)	
Top 25%	£10,250	N/A
(change)	(2%)	

East Midlands

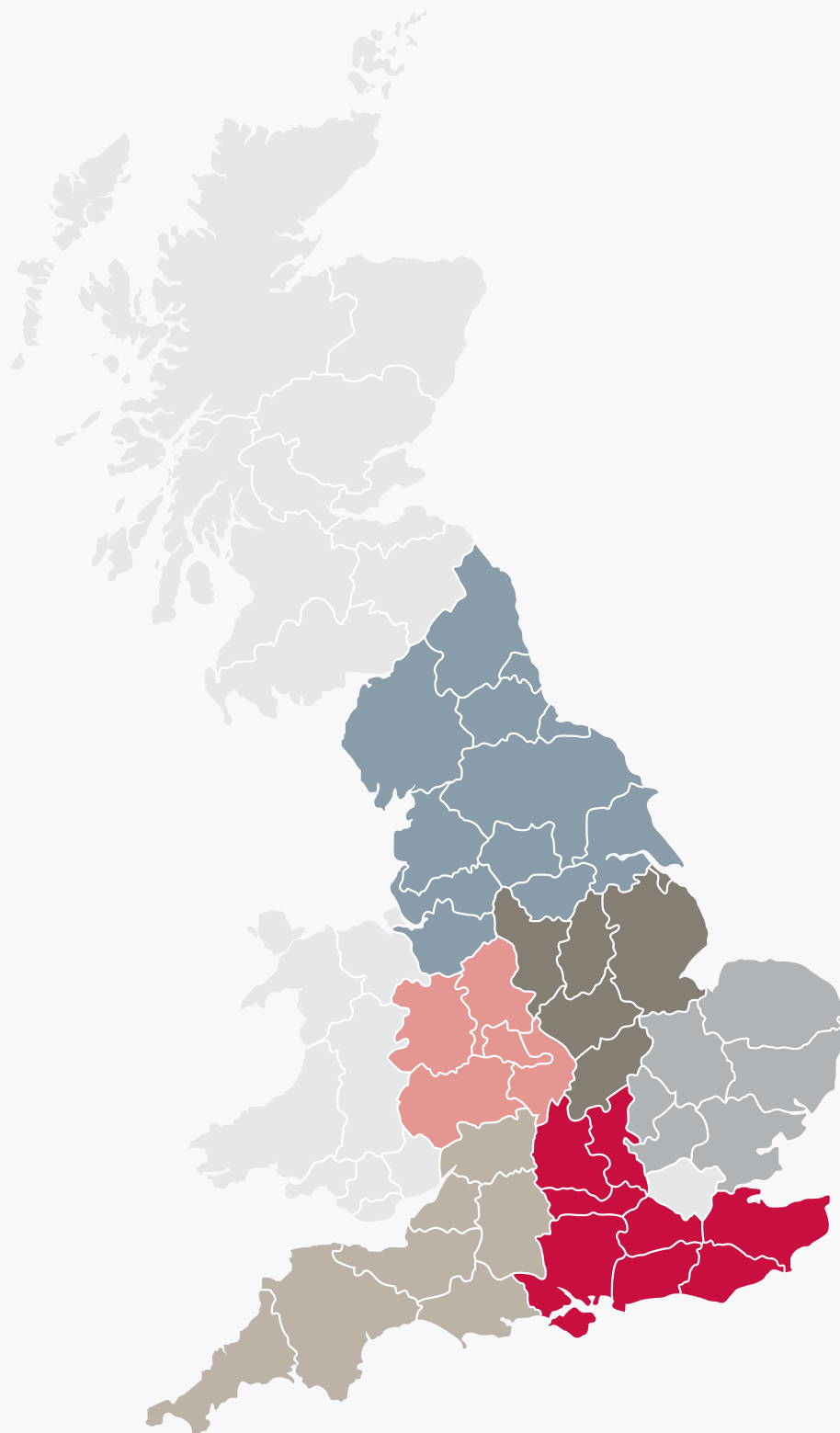
	Arable	Pasture
Bottom 25%	£7,000	£6,000
(change)	(17%)	(0%)
Top 25%	£11,000	£8,500
(change)	(-4%)	(0%)

Central & West Midlands

	Arable	Pasture
Bottom 25%	£8,000	£6,500
(change)	(3%)	(-6%)
Top 25%	£10,500	£8,750
(change)	(-5%)	(3%)

North

	Arable	Pasture
Bottom 25%	£6,600	£4,600
(change)	(2%)	(2%)
Top 25%	£11,500	£8,300
(change)	(5%)	(4%)



SOLD BY STRUTT & PARKER IN 2021



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Methodology

All data in this market report is from Strutt & Parker's Farmland Database of privately and publicly marketed farmland over 100 acres in England. It has recorded detailed information on the farmland, buildings and soils as well as buyer and seller profiles since 1996, and so is one of the most comprehensive databases available. What makes it different to other databases is that it records sold prices (i.e. what the farm exchanged contracts for) as well as guide prices, and so is a more accurate reflection of actual market conditions as guide prices can overstate or understate the prices that buyers are willing to pay. The national prices stated in this report are based on sold prices. Once a farm is exchanged, we have assumed it is sold, following HMRC custom. The prices for the regions are based on the opinions of our regional agents as it is not possible to calculate reliable regional figures based on the small number of sales in each region.

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